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April 3, 2015

RE: FY2015-16, FY2016-17 and FY2017-18 Transit Capital Priorities Call for Projects

Dear Interested Applicant:

The Metropolitan Transportation Commission (MTC) is soliciting transit projects from eligible federal grantees for programming:

- An estimated \$398 million in regional apportionments of Federal Transit Administration (FTA) Section 5307 Urbanized Area, 5337 State of Good Repair, and 5339 Bus & Bus Facilities funds (together referred to as Transit Capital Priorities or TCP) for FY2015-16;
- An estimated \$402 million in regional apportionments of FTA TCP funds for FY2016-17;
- An estimated \$410 million in regional apportionments of FTA TCP funds for FY2017-18;
- Approximately \$32 million of matching AB 664 bridge toll funds. The AB664 funds will be programmed as part of the TCP programming process, but will be recommended for approval via a separate resolution.

Applications are due to MTC by **Monday, June 1, 2015.**

Proposed projects will be used to develop a preliminary TCP program for FY2015-16, and MTC may program up to two (FY2015-16 and FY2016-17) or three (FY2015-16, FY2016-17 and FY2017-18) years depending on: a) the number of years covered by an extension to the current federal authorization or a reauthorization, and b) the extent to which the program can be fiscally balanced. The program will be amended into the region's Transportation Improvement Program (TIP). The preliminary program will be based on estimated revenues, and will be revised to match final FTA apportionments for each year. MTC usually adopts a multi-year program to assist transit operators with multi-year capital budgeting and enable a longer-term regional perspective of capital replacement needs.

There are two main reasons for sending out the Call for Projects relatively early in the program development cycle and requesting projects over a three year period:

1. Voluntary deferrals to FY2017 and beyond can help balance the FY2015-16 program.

Based on the FY2015-16 project applications received in the last round, the gap between FY2015-16 funding requests and projected revenues currently stands at \$133 million. Staff will be exploring all options available to fiscally balance the FY2015-16 program. Operators should closely examine their FY16 requests and consider whether they are able to defer fixed guideway rehab, bus replacements or other high-scoring project needs. In cases where operators voluntarily defer bus replacement projects beyond the useful life of the buses, they would be eligible for financial compensation based on the pricelist cost and minimum useful life of the vehicle type. (See Compensation for Deferred Replacement under section IIIB of the TCP policy, Attachment 1).

2. A three-year Call for Projects helps gauge the demand for high-scoring projects in FY2016-17 and FY2017-18. The information from this Call for Projects will provide up-to-date information to help determine the need and capacity for programming and budget-balancing measures in FY 2016-17 and FY 2017-18. Additionally, this information will also help determine the need and capacity for financing. Finally, as noted above, conducting the call for projects now will give MTC the option of adopting a multi-year program if Congress enacts a multi-year reauthorization.

Transit Capital Priorities Policy

Project selection will be based on MTC's TCP Process and Criteria for FY2014-15 and FY2015-16 (MTC Resolution No. 4140, included as Attachment 1) approved by the MTC Commission on June 25, 2014. MTC staff worked with the transit operators through the Bay Area Partnership's Transit Finance Working Group (TFWG) through most of 2014 to update these policies. MTC is not planning on updating the policies again this year; however, if MTC adopts a program spanning FY2016-17 or FY2017-18, the policy would need to be updated before adoption of the program. Meanwhile, for purposes of this call for projects, staff is providing information based on assumptions listed below:

1. Bus-Van Pricelist

The purpose of the pricelist is to treat operators equitably while providing sufficient funding for vehicle replacements. The regional bus-van pricelist was updated for programming FTA Section 5307 and 5339 funds for bus and van procurements in FY2014-15 and FY2015-16. The current pricelist is based on a survey of operators regarding costs of recent vehicle procurements, and is shown under Tables 4 and 5 (for FY2014-15 and FY2015-16 respectively) in Attachment 1.

For purposes of this call for projects, the current pricelist amounts were escalated by 1.5% annually over the FY2015-16 prices to create a working version of a bus-van pricelist for FY2016-17 and FY2017-18. The inflation factor is equal to the average annual increase in the Bureau of Labor Statistics Producer Price Index for buses over the last five years. The pricelists for all three years are included as Attachment 6.

2. **Fixed Guideway Caps**

The fixed guideway caps limit the amount of TCP funding for fixed guideway infrastructure replacement and rehabilitation, such as track, bridges, and train control systems. This helps to ensure sufficient TCP funds for vehicle replacement, the highest priority for the TCP program. The total amount available for fixed guideway caps is based on projected FTA revenues compared to vehicle replacements and other Score 16 needs over the next 15 years.

The fixed guideway project (FG) caps were updated as part of the policy update in June 2014. For purposes of the call for projects, the base amount of each operator's caps for FY2016-17 and FY2017-18 are being held to FY2015-16 levels. Both the fixed guideway caps as well as individual operator targets are summarized in Attachment 7.

3. **Revenue Estimates/Reauthorization**

The proposed TCP program assumes that the next authorization will maintain the FTA program structure and requirements established by MAP-21 and preceding authorizations. If reauthorization legislation enacted by Congress makes significant changes to FTA programs or policies, corresponding revisions to the TCP policy may be required.

Revenue estimates for the FTA formula programs included in TCP are provided in **Attachment 5**, and are used for determining amounts for the Lifeline Transportation Program and 10% ADA operating set-asides, and the 1% associated transit improvements (formerly known as transit enhancements) and 1% security requirements. The revenues available for programming include projected apportionments for FY2015-16, FY2016-17, and FY2017-18 as well as prior-year unprogrammed carryover funds.

Congress has not yet enacted a surface transportation reauthorization bill to take the place of MAP-21, which expires in May 2015, so the amount of funding available during the program period is currently unknown. In the absence of specific legislative proposals on funding levels, MTC staff has assumed FTA programs will be funded at Congressional Budget Office (CBO) baseline levels, which include inflation adjustments (from CBO's economic projections) of 1.5 percent for FY2016, 1.8 percent for FY2017 and 2.0 percent for FY2018. Staff will update the revenue projections during the program development process as better information becomes available. If actual apportionments exceed the projections, additional funds can be programmed in the annual Program of Projects amendment, which reconciles the preliminary program with the apportionments, or carried over and programmed in the following year. Funding availability is also subject to pre-existing programming commitments and project deferments.

Application Instructions

Project Template

Project sponsors should apply for funds using the Excel project template included as **Attachment 2**. Further instructions regarding the template are included on **Attachments 3 and 4**. Project sponsors should use the Notes column in the project template to explain any special TCP policy elements that

apply to requested projects, such as requests to advance funding for vehicle replacements, or provide other information that will help MTC staff understand the request. The note can refer to a more detailed explanation in a cover memo or a separate attachment. See the Notes section of Attachment 3 for a list of policy elements that should be highlighted. Related materials can be downloaded from MTC's website at <http://www.mtc.ca.gov/funding>. Completed templates should be emailed to Shruti Hari at shari@mtc.ca.gov by 4:00 p.m. on **Monday, June 1, 2015**.

Project sponsors do not need to indicate a specific FTA funding program i.e., Section 5307, 5337 or 5339 in an application. MTC will assign funding sources during the program development process based on the project's eligibility for each program, projected revenues, and urbanized area constraints. Project funding will be based on the Multi-County Agreement Model. See Attachment 1, Section III B, Program Eligibility; Section III B, Urbanized Area Eligibility; and Section III C, Project Apportionment Model for Eligible Urbanized Areas, for more information.

All projects for which you are requesting FY2016, FY2017 or FY2018 TCP funds, except ADA paratransit operating assistance projects funded by the 10% ADA set-aside, which will be included in the proposed program by MTC staff based on the ADA set-aside distribution formula included in the TCP policy (see Attachment 8), should be entered in the appropriate worksheet.

Please do not include requests for funding from the Lifeline Transportation, Transit Performance Initiative Investment, or Transit Performance Initiative Incentive programs. These programs have separate calls for projects and program development processes.

Project Description

Project sponsors should complete a separate line on the Excel template for each discrete project. All projects must be well defined. There must be clear project limits, an intended scope of work, and a project concept. The description should be sufficiently detailed to determine which FTA program(s) the project is eligible for, demonstrate that the project meets the screening criteria, and to assign a TCP score. See Attachment 1, Section III B, Program Eligibility, Section III B, Screening Criteria, and Section III B, Project Scoring for more information.

Asset Useful Life

Projects for normal asset replacement or rehabilitation of revenue vehicles, non-revenue vehicles, service vehicles, or maintenance tools and equipment, must meet the minimum age requirements specified in the TCP policy (see Attachment 1, Section III B, Asset Useful Life.) However, requests to program vehicle replacement funds prior to the first eligible year in order to advance procurements or replace vehicles with higher than normal maintenance costs will be considered if the proposal has minimal impacts on other operators and can be accommodated within the region's fiscal constraints. Operators that voluntarily replace buses or vans beyond the specified minimum useful life, or request less than the full pricelist amounts, are eligible for financial compensation (see Attachment 1, Section III B, Compensation for Deferred Replacement & Compensation for Cost Effective Bus Purchases).

For vehicle replacement requests, project descriptions should include the number, type (over-the-road coach, standard bus, paratransit van, etc.), length, fuel type (diesel, gas, CNG, or hybrid), year and manufacturer for both the vehicles being replaced and the vehicles being procured.

Further, the template includes asset classification fields developed for the Regional Transit Capital Inventory to link proposed projects to the region's capital replacement and rehab needs. Providing this information will strengthen the justification for projects and improve consistency across operators.

Bus-Van Prices

The costs for bus and van procurements, including the federal/local split, cannot exceed the prices in the regional bus-van pricelist, which is included as **Attachment 6**. If an operator elects to replace vehicles with vehicles of a different fuel type, the price listed for the new fuel type vehicle applies, e.g., if an operator is replacing diesel buses with diesel-electric hybrid buses, the operator may request funds up to the amount listed for hybrid buses.

Note that bus prices do not include allowances for radios and fareboxes; operators may request funding for radios and fareboxes as a separate project from the vehicle procurement. Operators are expected to include Clipper wiring and brackets in all new buses, so the buses are Clipper-ready without requiring additional expenses.

Match Amounts

The federal/local splits in the bus-van pricelist are now uniformly 82%/18% across all vehicle types. All other capital projects should reflect a federal share of not more than 80%. Requests for operating assistance should reflect a federal share of not more than 50%. On the application spreadsheet, enter the appropriate amounts in the federal and local columns, and indicate the expected sources of matching funds.

Project Caps

For vehicle procurements, fixed guideway replacement/rehab projects, other replacement projects, and expansion or enhancement projects subject to the programmatic financial caps detailed in Attachment 1, Section III B, Project Funding Caps, and in **Attachment 7**, project sponsors should submit total project costs for MTC staff review. The caps will be applied by MTC staff in the programming process.

When developing the proposed TCP programs for FY2015-16, FY2016-17, and FY2017-18 the fixed guideway caps may be increased or decreased proportionally, depending on the aggregate demand for Score 16 projects compared to projected revenues. Each fixed guideway operator's fixed guideway cap amounts are listed in Attachment 7. Please use the project template to indicate how much of your agency's fixed guideway cap to apply to each project.

The caps are intended to be as flexible as possible, and requests to advance caps from future years will be accommodated to the extent allowed by the fiscal constraints of the program. Please indicate any requests to advance or defer caps in a cover memo with your project application.

Fixed guideway caps amounts may be programmed to any of the eligible project categories listed in Attachment 1, Section III B, Project Funding Caps. Programming for all projects that fall within these categories must be within the operator's cap amount. Operators may request a one-year waiver to use fixed guideway cap funds for other capital needs that are not included in one of the eligible project

categories if the operator can demonstrate that the other capital needs can be addressed by the one-year waiver, or that the use of fixed guideway cap funds is part of a multi-year plan to address the other capital needs. The operator must also demonstrate that the waiver will have minimal impact on the operator's ability to meet its fixed guideway capital needs.

10% ADA Set-Aside

Attachment 8 provides revised ADA set-aside percentages and estimated annual amounts by urbanized area and operator; these will be automatically programmed and therefore, ADA set-aside projects need not be entered in the project template. Operators can request to transfer their ADA set-aside funds to capital projects (which will be treated as Score 16) if they certify that their ADA operating costs are covered by other funding sources. This certification will need to be provided in the form of a separate letter included as part of the application packet. This request should also be explained with appropriate detail in the corresponding notes section.

For purposes of this call for projects, staff is assuming the same set-asides for FY2016-17 and FY2017-18 as were approved for approved for FY2015-16.

Preventive Maintenance

Preventive maintenance will be considered a Score 9 funding priority in Transit Capital Priorities, unless the conditions for one of the following four policy elements are met, in which case preventive maintenance will be treated as Score 16.

- Funding Exchange
- Capital Exchange
- Negotiated Agreement within an Urbanized Area
- Budgetary Shortfalls

See Attachment 1, Section III C, Preventive Maintenance Funding for details on each of these policy elements. For an individual operator to make use of preventive maintenance funding, other operators in the region must be able to move forward with planned capital replacement. The policy's intent is that funding for preventive maintenance will not increase the region's unfunded transit capital needs.

Operating Assistance

FTA permits the use of FTA Section 5307 small urbanized funds to be used for operating purposes. For operators eligible in both large and small urbanized areas, the amount of small urbanized area funds used for operating assistance will be deducted from the amount programmed for capital projects in the large UA.

MAP-21 provided new eligibility for small and medium-sized bus operators in large urbanized areas to use Section 5307 funds for operating assistance. For operators with up to 75 buses, 75 percent of the urbanized area's apportionment attributable to the operator (as measured by vehicle revenue hours) may be programmed for operating assistance. For operators with up to 76 to 100 buses, 50 percent of the

urbanized area's apportionment attributable to the operator (as measured by vehicle revenue hours) may be programmed for operating assistance. Eligible operators may request operating assistance up to the maximum eligible amount, but operating assistance will be programmed only after higher scoring projects in the urbanized area are funded. Operating assistance requests will be treated as Score 8 in the programming process.

Conditioning Programming on Expenditure of Prior Grants

The intent of this policy element is to direct the region's limited funds to the projects most in need of additional resources. If an operator requests TCP funds for a project which received funding in prior years, and the prior-year grants have significant unexpended balances (as determined by reviewing FTA TEAM disbursement reports) at the time the program is being developed, the operator must provide substantial justification for the additional programming. The justification should be included in a separate letter provided along with the application. MTC staff will review the justification before recommending additional funding for the project. If substantial justification is not provided, MTC staff may propose to redirect funding from projects with unexpended prior grants to other projects to reduce the amount of undisbursed grants and improve the efficiency of new programming.

Most operators have prior-year FTA grants that have not yet been expended, with the balance for TCP grants totaling roughly \$1 billion. The shortfall in the preliminary FY2014-15 TCP program was addressed in part by deferring a portion of operators' FG caps by the percentage of older (2001-2012) active TCP grants that were undisbursed. The policy rationale was that funding the FG projects with existing grant balances in lieu of new programming would help resolve part of the shortfall without seriously impacting the ability to complete projects.

Also, the MTC Commission, when it adopted the preliminary FY2014-15 program, approved a staff recommendation to set a target for spending of prior-year grant balances over one year (September 2014 – September 2015) for each FG operator equal to one-third of older grant balances. If the target is met, the full FG cap amounts specified for each operator in the TCP policy would be programmed in the next year, subject to the availability of funds. If the target is not met, staff will propose to reduce fixed guideway funding for FY2015-16 based on grant balances as in FY2014-15. MTC staff has been working individually with each FG operator to set a FG target amount. The target for spending of prior-year grant balances (by September 2015) for each FG operator is approximately equal to one-third of undisbursed grant balances as of September 2014.

Both the fixed guideway caps as well as individual operator targets are summarized in Attachment 7.

Joint Procurements

In recognition of the policy direction of the Transit Sustainability Project, before TCP funds are programmed for revenue vehicles, non-revenue vehicles, communications and vehicle location systems, fare collection equipment, bus emission reduction devices, computer systems, including management information systems and maintenance/asset management systems, or other equipment, operators must assess the opportunities for joint procurements and integrated operations with other operators. MTC will coordinate discussions as necessary.

Transit Asset Management

FTA is expected to issue a final rule implementing the new Transit Asset Management (TAM) requirements created by MAP-21 in 2015. In order to comply with the new TAM requirements and improve the region's TAM practices, MTC will work with the operators to evaluate TAM systems and consider joint procurement of such systems to reduce costs, facilitate data interchange with RTCI and NTD, and comply with the new TAM requirements. Also, after FTA publishes and adopts the final Transit Asset Management (TAM) rule required by MAP-21, requests for replacement/rehabilitation of assets should be consistent with TAM plans.

Board Approval

MTC requires that operators seek board approval prior to programming projects in the TIP. The board resolution for the projects and funds being programmed (could be one or more of the years FY2015-16, FY2016-17 and FY2017-18) should be submitted by **December 9, 2015**, the date MTC's Programming and Allocations Committee is expected to consider the proposed program. If a board resolution cannot be provided by this date due to board meeting schedule constraints, please indicate in a cover memo with your application when the board resolution will be adopted. Attachment 1, Appendix 1 provides a sample resolution of board support.

Opinion of Counsel

Project sponsors have the option of including specified terms and conditions within the Resolution of Local Support. If a project sponsor elects not to include the specified language within the Resolution of Local Support, then the sponsor shall provide MTC with a current Opinion of Counsel stating that the agency is an eligible sponsor of projects for the FTA formula funds; that the agency is authorized to perform the project for which funds are requested; that there is no legal impediment to the agency applying for the funds; and that there is no pending or anticipated litigation which might adversely affect the project or the ability of the agency to carry out the project. A sample format is provided in Attachment 1, Appendix 2.

Proposed Programming Timeline

The timeline for adopting the TCP policy and related programming is outlined below.

TCP Policy / Programming	Start Date	Finish/Due Date
Call for Projects	April 1, 2015	June 1, 2015
Proposed TCP program to TFWG	October - November, 2015	
Preliminary TCP program to PAC/Commission	December 9, 2015	December 16, 2015
TCP TIP amendment to PAC/Commission	December, 2015	
Federal Approval of TIP Amendment	Feb/March 2016	

April 3, 2015

Transit Capital Priorities Call for Projects

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If you have any questions or require additional information, please contact Shruti Hari, Transit Capital Priorities Program Manager (shari@mtc.ca.gov or (510) 817-5960).

Sincerely,



Anne Richman

Director

Programming and Allocations

AR:SH

Attachments

1. TCP Policy (MTC Resolution 4140)
2. Project Template
3. Project Template Instructions
4. RTCI Asset Classes and Codes
5. TCP Apportionment Estimates
6. Bus-Van Pricelist
7. Fixed Guideway Project Caps
8. ADA Operating Set-Asides